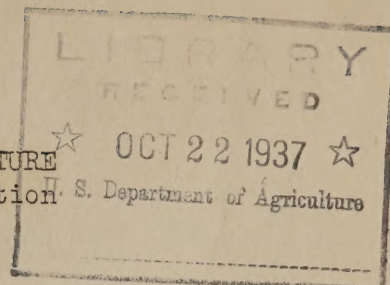


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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration U. S. Department of Agriculture
Washington, D. C.



Reserve

WHY AN AGRICULTURAL CONSERVATION PROGRAM?

Four talks made in Washington, September 15, 1937 at the National A.A.A. Conservation Conference in which some of the highlights of the farm program background were emphasized. These four talks represent the view of the speakers on their respective subjects which were included in the suggested meeting outline for presenting the "Why" of the 1938 Agricultural Conservation program in the forthcoming "A.A.A. Days" to be held the last three weeks of November.

THE SUGGESTED MEETING OUTLINE:

1. Present agricultural economic outlook
2. What does this outlook mean to farmers?
 - A. As to income?
 - B. As to their farms?
3. What will this outlook mean to consumers?
 - A. As to supplies?
 - B. As to consumer buying power?
4. What is the need for a national farm program?
 - A. To stabilize production and income?
 - B. To conserve soil resources?
5. How far will Agricultural Conservation Program about like that in 1937, do these things?
 - A. Is it adequate to reach the goals set up by the county program planning committee?
 - B. What it can't do
 - C. What it can do
6. How does the 1938 program work?

The four talks included here cover the first four of the main topics above. The material may be used in any way cooperating educational agencies see fit.

→ A popular bulletin covering the entire background outline is in preparation for use in connection with the "A.A.A. Days."

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PRESENT AGRICULTURAL ECONOMIC SITUATION

by Bushrod W. Allin,
Principal Agricultural Economist,
Program Planning Division, AAA.

Cash farm income this year will be around \$9,000,000,000, the largest since 1929. This income will have a buying power about equal to that of the pre-depression years when income averaged over \$10,000,000,000. What is more, this year's farm income will be spread more evenly throughout the country than in any recent year, though as usual there are dark spots in some areas.

Generally speaking, production is larger than in any year since 1933. We are destined to have a corn crop of over 2½ billion bushels, a wheat crop of nearly 900 million bushels, a cotton crop of over 16 million bales, and a tobacco crop of 1.4 billion pounds. The potato crop is abnormally large, and milk production is greater than it was last year.

Prices are mostly favorable, except that the large cotton crop has depressed the price to around 8 3/4 cents a pound; and I am told that in mid-September potatoes were selling in Minnesota for 18 cents per bushel. Cattle and hog prices have reached the highest level since the 'twenties, and butter prices will average higher than last year's. Despite the large crop of wheat, it is selling for over a dollar a bushel. The business situation and the industrial outlook for the immediate future indicate continued strong consumer demand.

The all-important question facing farmers is whether the present comparatively favorable position of agriculture in the national economy will have the effect of lulling farmers into an unjustifiable sense of security for the future. Do surpluses threaten us in the years just ahead, and is now the time to forge effective instruments of control for dealing

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with them?

The chances that farmers have forgotten the surplus problem are certainly much less in the South than in most parts of the country. The world's supply of cotton is now 47 million bales, and the world never used in any one year more than 31 million bales. Thus, with a minimum carry-over of approximately 16 million bales, the outlook for a supply situation favorable to producers is distinctly dark. The issue posed by these facts is a serious one not alone from the standpoint of the cotton farmers of the Nation; it requires the most careful consideration of the American public generally.

The Nation has three alternatives for dealing with this problem. It can come to the economic assistance of the cotton grower encouraging him to remain in the world market, it can withdraw from the world market, or it can follow a policy of doing nothing. It is unthinkable that we will either withdraw from the world market or do nothing. In either case, the consequences to the Nation generally would be intolerable.

Because of the pressure of excessive population in the South and the small size of many of its farms, many thousands of cotton growers could not maintain what we like to call "an American standard of living" even if the country produced 20 million bales of cotton annually and sold it for 20 cents a pound. How much worse would the situation be if we undertook to withdraw from the world market!

Other means of livelihood not now on the horizon would have to be found for millions in the South. If additional economic opportunities could not be found for them, they would inevitably enter into competition with farmers in other regions and crowd against the opportunities for

employment of urban and industrial workers.

And no nation that has followed the policy of extreme protectionism that this country has followed can consistently force these people to get along as best they can in a world market where they must compete with the product of virtual peon labor.

In magnitude, this problem in the current national agricultural situation overshadows all others.

In the case of wheat, another of our great export crops, our carry-over next July will approach 200 million bushels, if we export 100 million bushels this year. This is distinctly more than a normal carry-over, and if we should again be blessed with a favorable season in 1938, we shall almost certainly be faced that year with a surplus problem in wheat. This, of course, assumes that the situation as regards demand will not be radically changed by international conflict.

The tobacco outlook is mixed. In the case of Burley, there appears to be no problem for the coming year. But in the case of bright tobacco, which represents half of our total production, there is danger ahead, probably next year. The crop this year was large; and although the price is now favorable, it is easy to overproduce. The trend of production in dark tobacco is still downward and the outlook is still dark.

Corn cribs this year will be overflowing, and we expect to have more than double the normal carry-over, or between 300 and 350 million bushels. With hog prices relatively high, this threatens to set in motion the forces that will not only bring pork production up to consumer requirements but will also depress hog prices to a level that is unreasonably low from the standpoint of producers. The problem here, as in the case of most agricultural commodities, is one of harmonizing both producer

and consumer interests by devising ways and means to avoid penalizing the producer in years of abundance and at the same time to protect the consumer in years of scarcity.

On the whole, the present economic situation in agriculture is relatively favorable. It should be the strategic occasion for making the gains of the past secure for the future, and for directing our attention to possible difficulties ahead -- some of which are immediate.

THE EFFECTS OF AGRICULTURAL INSTABILITY

By John B. Wilson,
Special Assistant to the Director,
North Central Division, AAA.

We are faced today with prospective surpluses of wheat, cotton, and corn. On first thought, that prospect of plenty should not alarm us. But surpluses have a way of becoming cumulative and unmanageable and then they bring with them consequences that are disastrous. Low farm prices, low farm income, an insufficient farm buying power, are soon followed by a rapidly increasing industrial unemployment. Farmer and city consumer both suffer even during an apparent plenty, and the cry goes up everywhere for help, for greater security of employment, and for more stable income.

Few people question today the wisdom of the Federal Government in using its influence and powers to bring about, insofar as possible, a more secure employment and a more stable income for its people. Not all people understand, however, the close relation that exists between stable income and stable production.

Let us consider briefly this relationship as it affects the farmer and through him the national welfare.

During periods of fair prices, fair wages, and maximum employment, there is wide distribution of wealth in the hands of many. During such times farmers, laborers, and small business men exchange their savings for equities in homes, in farms or farm machinery, in automobiles, and in other goods. This widespread urge for ownership of property is probably one of the most constructive influences that any community can have. When farm income drops and when many people are unemployed, these equities are wiped out and there is a concentration of property, goods, and money in the hands of a few. The stabilizing influence of widespread ownership of property is diminished.

Danger arises when fair prices and fair wages become high prices and high wages. We all remember the effects on the farmer of high prices and high wages of the war period. There was overwide speculation in land -- some land in Iowa and Illinois sold for as much as \$500 an acre. Farm machinery doubled in cost. Centralized school houses and paved roads, drainage and irrigation ditches, were built at three or four times their usual cost. Some banks and insurance companies added to the far-flung investments by making unwise loans. A saving sense of proportion seemed to have been lost. Because of unduly high prices for wheat, millions of acres of grassland in the Great Plains area were plowed up and seeded to this grain. Other millions of acres of marginal land were temporarily brought into production.

With the end of the war, however, the unwisdom of this boom period in farming began to be apparent. Millions of acres of surplus production were thrown upon a dwindling market. High prices and over-

production had brought about surpluses in practically all major commodities. In the depression that followed many a farmer lost a year's production of feed grains by selling fat cattle at a price 5 or 6 cents below what he had paid for the same cattle as feeders.

We are all familiar with the foreclosures in the period from 1920 to 1933. We remember the penny sales, the dumping of milk and livestock trucks, and the general feeling of bitterness towards banks and insurance companies that were foreclosing mortgages. Such conditions bred an intense feeling of bitterness on the part of those who lost everything and a feeling of insecurity on the part of their more fortunate neighbors who did not know how soon they too might lose their property.

Instability in farm prices and farm income sooner or later affects standards of living.

Corn that sells for as low as 8 cents and as high as \$1.25 a bushel within short periods -- and it has actually done that within the last 5 years in the Corn Belt -- means poverty and debt in the 8 cent years that the \$1.25-years cannot offset. With poverty comes ill-health, and perhaps a consequent train of disease and crime.

Some people think we should leave all of these matters to a rugged individualism and a free initiative. That is one way of losing our democracy. About 5 percent of the people can profit under that system by buying when other people are compelled to sell and by themselves selling when prices are high. In a democracy the other 95 percent of the people are entitled to a better chance, to a more reasonable stability. When a man buys a farm with a mortgage

on it, he is taking a chance on his ruggedness and on his initiative, on his ability to farm and on his health. We need not add the additional hazard of having the bottom drop out of farm prices just when it hurts him most.

The price we pay for that additional test to his ruggedness and initiative is too great. Some men who have been through the economic wringer come out with a hardness of nature that makes them crafty in spirit and noncooperative in all their dealings with others. Other men come out with a feeling of inferiority, and never again even try to improve their economic position. In neither case does the Nation benefit.

Equally serious has been the effect of these variations in farm income and farm production on the farms themselves. As a nation we have been wasteful of our soil. Many people even now do not realize the extent of the losses we have suffered and are suffering from soil erosion; nor do they realize the extent of the losses in soil fertility that have been caused by soil-mining for the sake of huge production of crops. In many areas we have cut off the forests, and with nothing to prevent the rapid run-off of water after heavy rains, much of the rich soil has been washed away; and in times of flood, much of the rich bottom land has been covered with silt. Much of our sloping land has been ruined by gullying. Much more is still being ruined. Other sloping land is green with soil-depleting crops in summer, and bare and exposed to erosion in winter. Overgrazing and the plow have exposed much of the land west of the 100th meridian to water and wind erosion.

Moreover, continuous growing of soil-depleting crops like cotton and corn has seriously reduced the humus content of millions of acres of soil. In 50 years the productivity of some Iowa farms has dropped from 50 bushels of corn per acre to 25. The practice of growing a single cash crop with rarely a compensating soil-building crop in rotation has so reduced the fertility of some farming areas that it is impossible for anybody to farm this land and maintain a decent standard of living. The result has been mortgage foreclosures and a nationally increasing tenantry.

With mortgages and tenantry come insecurity. Lack of security has prevented many a farmer from making improvements and many a tenant from carrying on the soil-building practices that his land required. No one is going to keep up his house, his barns, or his fences, or even his soil, if he is living under the shadow of mortgaged indebtedness and the constant threat of dispossession.

The 1938 Agricultural Conservation program is a step in the direction of stabilizing farm production and income and thus enabling American agriculture to do its part in securing and obtaining higher standards of living for the whole population of the United States.

HOW DOES THE AGRICULTURAL SITUATION AFFECT CONSUMERS?

by Edward E. Gallahue,
Agricultural Economist, Consumers' Counsel, AAA

The welfare of the farm producer is the concern of the farm consumer and city consumer alike. Conversely, the welfare of the consumer is the concern of the producer, both agricultural and

industrial. A look at the facts of the depression and recovery years shows how closely the fundamental interests of farmers and consumers are tied together.

To simplify the picture let us take the period 1924-1929 as a base (100) with which to compare the low points of the depression. From that base of 100, farm prices during the depression dropped to a low of 44. Gross farm income similarly dropped to a low of 46, with that part of the gross farm income available for living declining to a further low of 26. Meanwhile the prices of goods purchased by farmers for family living dropped only to 67.

That situation's effect on the farmer is evident. How did it affect the city producer and consumer? Let us look at the city man's circumstances.

With the farmer a poor customer for city products, mail order sales dropped 55 percent between 1929 and 1932; department store sales dropped 40 percent. Sales of country general and farmer's supply stores fell 67 percent, while general merchandise and food store sales as a whole declined 40 percent.

These declines in business are reflected in city income and city employment. Employment in the production of farm machinery dropped from the 1924-1929 base of 100 to a low of 31, with payrolls going down to 22. Employment in production of all machinery dropped to 54 and payrolls fell to 45. National production of all industrial goods dropped to 60; national income (exclusive of agriculture) dropped to a low of 63.

Lack of farm buying power was not the sole cause of these declines, but it was an important factor. As farm buying power declined,

industrial sales declined and industrial unemployment increased.

The income of many wage-earning groups, such as the bituminous coal miners and the metal miners, shows about the same disparity with national income as does agricultural income. In addition, 12 million of the nonfarm population - one person out of eight - were dependent upon Government support during the peak load of relief. Obviously, many millions of farmers' customers were as badly injured by the depression as the farmers themselves, and the injury to each was due in large part to the depressed condition of the other.

The serious condition of agriculture at the bottom of the depression called for drastic recovery measures. This necessary first phase of recovery has been for the most part accomplished. Farm income in 1936 was almost up to its 1924-1929 relationship to national nonagricultural income, and farm prices compared favorably with prices paid for goods used in farm family living and farm production. Similarly, national nonagricultural income per capita, as compared with the cost of food and the cost of living as a whole, stood about as high in July 1937 as in 1924-1929. Factory payrolls in that month had a food-purchasing power 16 percent greater than in 1924-1929, though this comparison makes no allowance for the larger number of people which factory payrolls probably had to support or help to support in 1937.

That much has been gained. The consumer's interest now is in safeguarding those gains and in going on to others. Several factors in the situation show clearly enough that the first phase of recovery accomplished thus far will not be permanently sufficient. With industrial per capita production back to the 1924-1929 level, the

consumer is now very much concerned with how much more we could produce, how unequally the goods produced are now distributed, and how many millions of workers needing employment are unable to find it.

So long as output of goods and services remains seriously inadequate in these respects, neither city consumers nor farm consumers will welcome further material increases in living costs. At present levels of national production, a very great number of farm and nonfarm families must use all or the greater part of their income to pay for necessities - food, clothing, fuel, and shelter.

Even in the case of food, it is known that a large percentage of families at low income levels buy very much less than they could buy if their real incomes were higher. A significant increase in their income would enlarge the total outlet for food products. The gain to them would be shared by farmers in an enlarged outlet for their food products.

In providing for consumers' needs of food and fiber, however, the farmer must avoid those present wastes of soil and resources which can only mean higher prices for scantier supplies in the future. The far-sighted consumer is aware of the ultimate cost of such waste. Conservation doesn't iron out annual ups and downs. The consumer, therefore, is vitally concerned in the conservation of the farmers' resources so that adequate farm supplies may be continued.

The 1938 agricultural conservation program is a step toward protecting the interests of the farmer and enabling him better to supply the needs of his customer, the consumer.

What is his customer's need? Maintenance of a continuous, adequate supply of farm products at fair prices.

Maintaining such a continuous and adequate supply calls for some protection against the vagaries of weather. Reserves from fat years to supply deficiencies in lean years should mean stability of supply for consumers as well as stability of income for producers. Wide swings in the supply and prices of farm goods have usually been costly to consumers, just as wide swings in production and price have been costly to producers.

The 1938 program does not provide complete protection against all such swings, but it is a step toward providing for consumers' needs of food and fibers and enabling farmers to avoid in the present some of the wastes of soil and resources which can only mean higher prices for scantier supplies in the future.

The consumer is vitally interested in the conservation of the farmer's resources so that adequate farm supplies may be continued. So, too, must the farmer consider the resources of his customer, the consumer, and help him to conserve them.

Anything less than adequate supply of farm goods preys upon the resources of the consumer, tends to destroy a properly balanced economy, and is detrimental to the public welfare.

As both city consumers and farm producers stood to gain by the farm recovery from the conditions of 1932 and 1933, so they both stand to gain today by holding price and production relationships in balance. They both stand to lose if the emphasis of further recovery is put upon higher prices to the neglect of a larger volume of things produced. They both have a practical common interest in seeing that this larger volume of both farm and industrial goods finds a market in which both farm and city consumers can afford to buy.

WHAT DOES AGRICULTURE NEED?

by D. Curtis Mumford,
Senior Extension Economist.

To put it briefly, agriculture needs first of all a continuing, relatively stable, income in an amount sufficient to bring a fair return to the men and women who live by the land. This is agriculture's goal today; and in recognizing the interdependence between agriculture and other industries, it is believed that these other groups also will wish us to strive for this objective.

Relatively stable and fair levels of farm income tend to put a balance wheel on our whole economic system. Stable farm income means stable farm purchasing power. Stable farm purchasing power helps to steady industrial production and employment, which in turn helps to steady city purchasing power, which again in turn means a steadier market for our agricultural production.

Agriculture's immediate production goal is to produce an adequate supply of farm goods for the needs of this country, and to produce, in addition, all that can be exported profitably. This much and no more. We must realize that much of the foreign market in certain agricultural products to which we were once accustomed has, for the present at least, disappeared. Moreover in attaining the agricultural production which has been set up in this goal and in attempting to avoid the economic waste of both agricultural products and human effort that goes into unmarketable surpluses, we need to strive for a production that is relatively stable.

Without a farm program, agriculture in this country has tended periodically to produce too much, whereas industry tends to produce too little. Industry, by its very nature, and because of the smaller number

of individuals who control it, seems to be able to put on the brakes quicker than agriculture can. It should be said, however, that part of this failure is due to mother nature's way of putting on the brakes and also of stepping on the accelerator at some most inopportune times. But weather is not alone responsible.

Probably a greater factor is the human tendency, both in agriculture and outside, for individuals to make the mistake of judging the future by the present or by the immediate past. It is the failure to look ahead and to try to determine what the price will be at harvest time, rather than at seeding time, that from time to time helps to bring a surplus crop into existence. Agriculture needs to recognize this fact and to find ways and means of getting it across to a much larger proportion of farmers. We need to look ahead, not behind.

But in spite of the weather, about which we can do little, and in spite of this human failing which probably will never be fully corrected, agriculture must find some workable method of bringing stability to agricultural output and of preventing wasteful surpluses, to the benefit of producers and consumers alike.

How shall we stabilize our agriculture? When we have added up our acreages in the cotton goal, the corn goal, the tobacco goal, and all the other soil-depleting goals, what shall we do with the land which is left? Right there agricultural conservation comes into our calculations. This land must go into something. Why not seed it to legumes and grasses and why not allow native grasses to reseed themselves naturally on much of the area?

We must admit that except in certain areas, we have been a nation of agricultural miners. Today a man starting to farm has to pay more for his

land than he used to, even though it is really worth less. Agriculture, through the years, pressed to pay its bills, has been depleting the soil, in some areas to a shameful degree. There is no question that agricultural lands are poorer today than they were. What we have done is to keep up our yields by improving our technique as agricultural miners. We have developed drought and disease-resistant varieties and higher producing strains, and we have increased our mechanization. Also, we have brought in irrigated land to help bolster up yields. These influences have kept up our yields per acre, so that our tremendous soil losses have not been apparent.

During the last few years however, a new idea has seemed to grip the American people -- that what we should strive for is not only to make agriculture pay, but to make agriculture pay and at the same time conserve the land. If it is true that agriculture up to the present has felt that it must mine the soil in order to exist, then it is in the interest of National welfare to offer outside help for agricultural conservation, because an impoverished or ruined soil means an impoverished or ruined people. With this outside cooperation the lands which are not needed at present for the production of certain soil-depleting crops can be put to soil-conserving uses, thus storing up money in the farmer's bank and assuring consumers of an ample supply of food in the future at reasonable prices.

This new idea is based on thrift, for it is thrifty for the Nation to conserve its land. From the standpoint of farmers, it is thrifty to conserve the soil in the interest of a permanent agriculture. From the standpoint of consumers, it is thrifty to build up our soils while there is yet good land to work on.

Agriculture's further need is unity. Farmers in each area need to appreciate more than they do at present the problems and the needs of farmers in other areas. In the summer of 1933, when the cotton program had just been started and the wheat program was just getting under way, a wheat-and-cotton farmer sent a letter to Washington explaining that he followed a rotation of cotton and wheat on his farm. He said he had an idea how he was going to comply with the terms of both the cotton and the wheat programs. His plan, he said, was to take the land which he took out of cotton and put that in wheat, and to take the land which he took out of wheat and put that in cotton. He asked if this would be acceptable. And he was in earnest about it!

Farmers are learning that their own good must not imperil the good of others.

So agriculture needs a stabilized income and it needs conservation. Agriculture needs a unified agricultural goal, and it needs a unified agricultural determination on the part of all of us, and especially of farmers themselves, to put into action those things which will help agriculture attain this goal.

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